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LLOYDS INVESTMENT BONDS LIMITED

30 September 1996



LLOYDS INVESTMENT BONDS LIMITED
203 Blackfriars Road London SE1 8NH

DIRECTORS

A E Moore CBE - Chairman
J A Davies
D H A Harrison
P B Miles (alternate: A R Foad)

SECRETARY

P A Stafford

AUDITORS

Price Waterhouse

REGISTERED OFFICE

71 Lombard Street
London EC3P 3BS

REGISTERED NUMBER

2468722

LLOYDS INVESTMENT BONDS LIMITED

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITY

The principal activity of the company is identifying investment opportunities and making suitable investments.

RESULTS

The loss after taxation for the year ended 30 September 1996 amounted to £134,000 as set out in the profit and loss account on page 5.

DIRECTORS

The names of the directors of the company are shown on page 1.

All the directors are also directors of Lloyds Leasing Limited, the immediate parent company, and reference to their interests in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries is made in the report and accounts of Lloyds Leasing Limited.

On behalf of the board

A handwritten signature in black ink, appearing to be 'P A Stafford', written over a horizontal line.

P A Stafford
Secretary

4 December 1996

AUDITORS' REPORT TO THE MEMBER OF LLOYDS INVESTMENT BONDS LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 1996 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

4 December 1996

LLOYDS INVESTMENT BONDS LIMITED

ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, in compliance with the Companies Act 1985 and in accordance with applicable accounting standards. The company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 is included in the accounts of its ultimate parent company.

(a) Investments

(i) Listed British Government securities

Investments are held at cost and any premium or discount is amortised from purchase to maturity in equal annual instalments.

(ii) Unlisted deep discount bonds

Discounts on deep discount bonds are amortised from purchase to maturity in proportion to the net cash invested in each period taking into account the effects of taxation and issue costs so as to give a constant periodic rate of return.

(b) Deferred taxation

Deferred taxation is provided at the appropriate rates of taxation where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

LLOYDS INVESTMENT BONDS LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1996

	Note	1996 £000	1995 £000
INVESTMENT INCOME RECEIVABLE		70	94
BOND DISCOUNT ACCRUED		14,778	5,205
		<u>14,848</u>	<u>5,299</u>
INTEREST INCOME	1(a)	208	1,866
		<u>15,056</u>	<u>7,165</u>
INTEREST EXPENSE	1(b)	15,255	6,747
		<u>(199)</u>	<u>418</u>
OPERATING EXPENSES			
Administrative expenses		-	81
Management fee payable to parent company		-	5
		<u>-</u>	<u>86</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(199)	332
TAXATION (CREDIT) CHARGE	3	(65)	111
(LOSS) PROFIT AFTER TAXATION		<u>(134)</u>	<u>221</u>

There are no further gains or losses attributable to the shareholder other than those disclosed above.

The notes on pages 8 to 10 form part of these accounts.

LLOYDS INVESTMENT BONDS LIMITED

RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES
for the year ended 30 September 1996

	1996 £000	1995 £000
(LOSS) PROFIT FOR THE YEAR AFTER TAXATION	(134)	221
DIVIDEND	-	220
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CAPITAL AND RESERVES	(134)	1
CAPITAL AND RESERVES AT BEGINNING OF YEAR	24	23
	<hr/>	<hr/>
CAPITAL AND RESERVES AT END OF YEAR	(110)	24
	<hr/>	<hr/>

The notes on pages 8 to 10 form part of these accounts.

LLOYDS INVESTMENT BONDS LIMITED

BALANCE SHEET
at 30 September 1996

	Note	1996 £000	1995 £000
ASSETS			
FIXED ASSETS			
Investments	4	104	58,101
CURRENT ASSETS			
DEBTORS			
Amounts owed by group companies	5	5,011	4,952
Other debtors		40	56
		<hr/>	<hr/>
		5,155	63,109
		<hr/>	<hr/>
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	6	10	10
Profit and loss account	7	(120)	14
		<hr/>	<hr/>
		(110)	24
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	8	1	5,330
CREDITORS			
Amounts owed to group companies	9	5,264	57,755
		<hr/>	<hr/>
		5,155	63,109
		<hr/>	<hr/>



A E Moore - Chairman



P B Miles - Managing Director

The notes on pages 8 to 10 form part of these accounts.

LLOYDS INVESTMENT BONDS LIMITED

NOTES TO THE ACCOUNTS

1 INTEREST EXPENSE

1996	1995
£000	£000

(a) Interest income comprises:

from other Lloyds TSB group companies	206	1,866
from other sources	2	-
	<hr/>	<hr/>
	208	1,866
	<hr/>	<hr/>

(b) Interest expense comprises:

Interest payable to other Lloyds TSB group companies on bank loans and overdrafts	15,255	6,747
	<hr/>	<hr/>

2 DIRECTORS' EMOLUMENTS

An aggregate amount of £3,000 was deemed to have been paid by Lloyds Bank Plc for the services of one director in respect of the management of the affairs of the company (1995: a total of £3,000 for two directors). There were no other directors' emoluments paid in respect of services to the company.

3 TAXATION

1996	1995
£000	£000

Group relief receivable (payable)	5,264	(4,787)
Deferred taxation	(5,329)	4,898
	<hr/>	<hr/>
	(65)	111
	<hr/>	<hr/>

The taxation credit (1995: charge) on the loss (1995: profit) for the year has been based on a United Kingdom corporation tax rate of 33% (1995: 33%).

4 INVESTMENTS

	Listed British Government securities £000	Unlisted deep discount bonds £000	Balance sheet amount £000
At 1 October 1995	107	57,994	58,101
Amorisation of premiums and discounts	(3)	14,778	1,663
Redemptions	-	(72,772)	(59,657)
	<hr/>	<hr/>	<hr/>
At 30 September 1996	104	-	107
	<hr/>	<hr/>	<hr/>

The cost of the listed British Government Securities at 30 September 1996 was £113,000 (1995: £113,000).
The mid market value of listed investments at 30 September 1996 was £109,000 (1995: £115,000).

LLOYDS INVESTMENT BONDS LIMITED

NOTES TO THE ACCOUNTS

5 AMOUNTS OWED BY GROUP COMPANIES

	1996 £000	1995 £000
Bank deposit	5,011	164
Group relief receivable	-	4,788
	<hr/>	<hr/>
	5,011	4,952
	<hr/>	<hr/>

6 CALLED UP SHARE CAPITAL

	1996 £000	1995 £000
Authorised, allotted and issued fully paid: ordinary shares of £1 each	10	10
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The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent company of the largest group of companies for which group accounts are drawn up and of which the company is a member. Lloyds Bank Plc is the parent company of the smallest such group of companies. Lloyds TSB Group plc is registered in Scotland and Lloyds Bank Plc is registered in England and Wales. Copies of the group accounts of both may be obtained from the company secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London, EC3P 3BS.

7 PROFIT AND LOSS ACCOUNT

	£000
At 1 October 1995	14
Retained loss for the year	(134)
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At 30 September 1996	(120)
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8 DEFERRED TAXATION

	£000
At 1 October 1995	5,330
Credit for the year	(5,329)
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At 30 September 1996	1
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The balances at 30 September 1996 and 1 October 1995 represent full provision in respect of the potential liability of the company to taxation on accrued bond discount and short-term timing differences.

LLOYDS INVESTMENT BONDS LIMITED

NOTES TO THE ACCOUNTS

9 AMOUNTS OWED TO GROUP COMPANIES

	1996 £000	1995 £000
Amounts falling due within one year:		
Interest payable	-	39
Interim dividend	-	220
Group relief payable	5,264	-
	<hr/>	<hr/>
	5,264	259
Amounts falling due between one and five years:		
Bank borrowings	-	7,496
Amounts falling due after five years:		
Bank borrowings	-	50,000
	<hr/>	<hr/>
	5,264	57,755
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10 DATE OF APPROVAL

The directors approved the accounts on 4 December 1996.